

FISCAL NOTE

Bill #: HB0007

Title: Create Dedicated School Revenue Fund

Primary

Sponsor: Dave Lewis

Status: First Reading

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2002</u>	<u>FY 2003</u>
	<u>Difference</u>	<u>Difference</u>
Expenditures:		
General Fund	(217,416,000)	(222,346,000)
State Special Revenue	217,416,000	222,346,000
Revenue:		
General Fund	(217,416,000)	(222,346,000)
State Special Revenue	217,416,000	222,346,000
Fund Balance Adjustment:		
General Fund	46,366,904	0
State Special Revenue	(46,366,904)	0
Net Impact on General Fund Balance:	46,366,904	0

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
X		Included in the Executive Budget		X	Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached		X	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. The loan from the Coal Severance Tax Trust Fund of \$46.367 million for purchasing mineral production royalties will be moved from the General Fund to the dedicated school revenue fund.
2. Senate Bill 495, enacted by the 2002 Legislature, authorized the State Board of Land Commissioners to borrow from the Board of Investments and use the loan proceeds to purchase mineral production rights held by the public school fund. The State Board of Land Commissioners subsequently directed the DNRC to execute the loan agreement in the amount of \$46,366,904 from the Board of Investments. The loan amount was placed into the public school fund permanent trust account to compensate that fund for future mineral royalties. House Bill 7 would transfer DNRC's loan obligation from a sub-fund of the general

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fund to the dedicated school revenue fund, thereby eliminating a general fund liability of \$46,366,904 in FY2002 .

3. Payment of loan principal and interest to Board of Investments would now include a transfer from the dedicated school revenue fund, instead of a sub-fund of the general fund. There is no change in general fund balance, as the Board of Investments would still transfer interest to general fund to offset the interest that would have been generated in the Coal Trust Fund.
4. Property tax revenue from the 95 mills levied for schools will be \$167,814,000 in FY2002 and \$173,110,000 in FY2003. This amount of revenue will be deposited to the Dedicated School Revenue (DSR) Fund rather than the General Fund.
5. Interest earned on the property tax will be \$664,000 in FY2002 and \$684,000 in FY2003. This amount revenue will be deposited to the DSR Fund rather than the General Fund.
6. School Interest and Income revenue will be \$48,938,000 in FY2002 and \$48,552,000 in FY2003. This amount revenue will be deposited to the DSR Fund rather than the General Fund.
7. Interest Payments on the loan from the Permanent Trust will be \$3,365,000 per year. These, currently paid from the general fund, will be an obligation of the DSR Fund.
8. The DSR is statutorily appropriated for school aid and school technology all funds in the account will be expended. Expenditure levels on school aid and school technology are unaffected, however the funding will come from the DSR instead of a subfund of the general fund.
9. General fund support for school district basic and per-ANB entitlements will be transferred into the dedicated school revenue fund as needed for the Office of Public Instruction's monthly payment to schools.
10. Revenues deposited in the dedicated school revenue fund, including investment income earned on those revenues, are the first source of funding for district basic and per student entitlements. Fiscal year end fund balance in the dedicated school revenue fund will be zero.

FISCAL IMPACT:

	<u>FY 2002 Difference</u>	<u>FY 2003 Difference</u>
<u>Expenditures:</u>	0	0
<u>Funding:</u>		
General Fund (01)	(217,416,000)	(222,346,000)
State Special Revenue (02)		
Dedicated School Revenue Fund	219,238,000	223,446,000
School Technology Fund	<u>(1,822,162)</u>	<u>(1,100,000)</u>
TOTAL	0	0
<u>Revenues:</u>		
General Fund (01)	(217,416,000)	(222,346,000)
State Special Revenue (02)		
Dedicated School Revenue Fund	219,238,000	223,446,000
School Technology Fund	<u>(1,822,162)</u>	<u>(1,100,000)</u>
TOTAL	0	0
<u>Adjustment to Fund Balance</u>		
General Fund (01)	46,366,904	0

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State Special Revenue (02)	(46,366,904)	0
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Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	46,366,904	0
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State Special Revenue (02)	(46,366,904)	0
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LONG-RANGE IMPACTS:

1. The Comprehensive Annual Financial Report will show a liability in the state special revenue fund for the loan to purchase mineral royalty revenue from the Coal Severance Tax Trust Fund.

TECHNICAL NOTES:

1. Both the Departments of Natural Resources and Revenue will deposit revenue in the dedicated school revenue fund. Investment earnings on those revenues are to be retained in the fund. HB 7 is not clear as to which of the two agencies is responsible for investing the fund's cash balance.